

MARSHALL COUNTY

**Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs**

June 30, 2010

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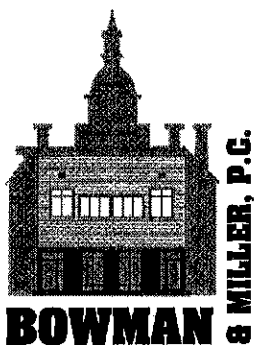
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Marshall County

Officials

| <u>Name</u> | <u>Title</u> | <u>Expires</u> |
|----------------------|----------------------|----------------|
| Patrick Brooks | Board of Supervisors | January 2011 |
| Ron Goecke | Board of Supervisors | January 2011 |
| Dennis Grabenbauer | Board of Supervisors | January 2013 |
| Karen Squiers | County Auditor | January 2013 |
| Deane Adams | County Treasurer | January 2011 |
| Kathy Baker | County Recorder | January 2011 |
| Theoharris Kamatchus | County Sheriff | January 2013 |
| Jennifer Miller | County Attorney | January 2011 |
| Craig Madill | County Assessor | January 2011 |



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Marshall County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2011, on our consideration of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 41 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marshall County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

January 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 0.2%, or approximately \$55,500, from fiscal year 2009 to fiscal year 2010. Property and local option sales tax increased approximately \$921,000. Charges for services increased approximately \$507,000. Operating grants, contributions and restricted interest increased approximately \$416,000, and capital grants, contributions and restricted interest decreased approximately \$1,564,000.
- Program expenses increased 3.8%, or approximately \$836,000. The largest increase in program expenses was in administration of approximately \$447,000. Public safety and legal services followed with an increase of approximately \$396,000, physical health and social services had an increase of approximately \$116,000, governmental services to residents increased approximately \$57,000, county environment and education increased approximately \$37,000 and roads and transportation expenses increased approximately \$17,000. Mental health program expenses decreased approximately \$228,000.
- The County's combined net assets increased 3.3%, or approximately \$1.56 million, from June 30, 2009 to June 30, 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Marshall County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marshall County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marshall County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor special revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health and Dental Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Marshall County's combined net assets increased 3.3% or an increase of \$1.56 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

| Net Assets of Governmental Activities (Expressed in Thousands) | | |
|-------------------------------------------------------------------|-----------|-----------|
| | June 30, | |
| | 2010 | 2009 |
| Current and other assets | \$ 24,601 | \$ 21,976 |
| Capital assets | 41,540 | 41,506 |
| Total assets | 66,141 | 63,482 |
| Long-term debt outstanding | 3,545 | 3,148 |
| Other liabilities | 13,896 | 13,195 |
| Total liabilities | 17,441 | 16,343 |
| Net assets: | | |
| Invested in capital assets, net of related debt | 38,598 | 38,898 |
| Restricted | 7,195 | 5,287 |
| Unrestricted | 2,907 | 2,954 |
| Total net assets | \$ 48,700 | \$ 47,139 |

The largest portion of the County's net assets is the amount invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased approximately \$47,000. This is a decrease of 1.6% from last year.

Restricted net assets increased from approximately \$5.3 million on June 30, 2009 to approximately \$7.2 million on June 30, 2010, an increase of 36.1%. This increase was primarily a result of general obligation bond proceeds in the Capital Projects Fund, additional funds for supplemental levy purposes and increasing fund balances for the other special revenue funds.

Changes in Net Assets of Governmental Activities

| | Year ended June 30, | |
|----------------------------------------------------------|---------------------|---------------|
| | 2010 | 2009 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 2,782,819 | \$ 2,275,324 |
| Operating grants, contributions, and restricted interest | 5,992,925 | 5,577,165 |
| Capital grants, contributions and restricted interest | 1,582,551 | 3,146,870 |
| General revenues: | | |
| Property tax | 11,690,240 | 11,056,615 |
| Penalty and interest on property tax | 119,784 | 121,751 |
| State tax credits | 475,360 | 452,900 |
| Local option sales tax | 1,406,106 | 1,118,897 |
| Unrestricted investment earnings | 150,503 | 229,055 |
| Other general revenues | 8,771 | 174,951 |
| Total revenues | 24,209,059 | 24,153,528 |
| Program expenses: | | |
| Public safety and legal services | 6,498,463 | 6,102,939 |
| Physical health and social services | 1,039,498 | 923,445 |
| Mental health | 3,573,759 | 3,801,732 |
| County environment and education | 987,483 | 950,766 |
| Roads and transportation | 6,536,335 | 6,519,555 |
| Governmental services to residents | 882,405 | 825,701 |
| Administration | 2,884,784 | 2,438,263 |
| Non-program | 58,651 | 57,966 |
| Interest on long-term debt | 187,153 | 192,420 |
| Total expenses | 22,648,531 | 21,812,787 |
| Increase in net assets | 1,560,528 | 2,340,741 |
| Net assets beginning of year | 47,139,565 | 44,798,824 |
| Net assets end of year | \$ 48,700,093 | \$ 47,139,565 |

Marshall County's net assets of governmental activities increased approximately \$1.56 million during the year. Revenues for governmental activities increased approximately \$55,000 over the prior year, with capital grants, contributions and restricted interest decreasing approximately \$1.6 million, charges for services increasing approximately \$507,000 and operating grants and contributions increasing approximately \$416,000.

The cost of all governmental activities this year was \$22.6 million compared to \$21.8 million last year. As shown in the Statement of Activities on pages 12-13, the amount county taxpayers ultimately financed for these activities was \$12.2 million because some of the cost was paid by those who directly benefited from the programs (\$2.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7.6 million). The County paid for the "public benefit" portion of governmental activities with approximately \$12.2 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general revenues.

INDIVIDUAL MAJOR FUND ANALYSIS

As Marshall County completed the year, its governmental funds reported a combined fund balance of \$9.8 million, which is \$1.8 million more than the 2009 fund balance. The increase in fund balance is primarily attributable to a \$750,000 general obligation bond issue during the year and receipt of additional grant funding. The following are the major reasons for the changes in fund balances for the major funds from the prior year:

- General Fund ending fund balance increased approximately \$516,000 from the prior year. Revenues increased \$1 million with property tax and intergovernmental revenues making up \$975,000 of the increase. Expenditures also increased \$836,000 with public safety and legal services, administration, and physical health and social services comprising \$735,000 of the increase. The ratio of ending fund balance to expenses at year end was 31.6%
- The Mental Health Fund balance at year end decreased by approximately \$34,000 from the prior year. In 2010, Marshall County received \$116,000 less from the State and increased property taxes by \$194,000. The county did not qualify to receive additional State funds. The ratio of ending fund balance to expenses at the end of 2010 was 26.2%. To position the county for possible funding reductions in the future, the maximum rate was levied in 2010 and again in 2011.
- The Rural Services Fund balance at year end increased by approximately \$539,000 from the prior year largely due to a reduction in roads and transportation projects funded by local option sales tax dollars and an increase of approximately \$287,000 in local option sales tax revenues.
- In the Secondary Roads Fund, revenues were down \$89,000, expenditures were down \$247,000, but other financing sources such as operating transfers from the rural services fund and the sale of capital assets increased approximately \$173,000. The ending fund balance increased approximately \$132,000 to \$1,937,000. This is the first year in over five years the ending fund balance has increased.
- The fund balance of the Debt Service Fund remained mostly flat with an increase of \$5,000. Expenditures decreased by \$153,000 and revenues decreased proportionately.
- Capital Project Fund balance increased by \$627,000. General obligation bond proceeds of \$750,000 were received in the year, but the majority of projects expending these funds were not scheduled until fiscal year 2011.

BUDGETARY HIGHLIGHTS

Over the course of the year, Marshall County amended its budget three times. The amendments were made in October, 2009 and March and May, 2010. They resulted in a decrease in budgeted revenues of \$813,000 and budgeted disbursements of \$465,000 related to a delay in capital projects and a reduction in roads and transportation expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Marshall County had approximately \$72.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.4 million or 1.9% over last year.

| Capital Assets of Governmental Activities at Year End (Expressed in Thousands) | | |
|-----------------------------------------------------------------------------------|-----------|--------|
| | June 30, | |
| | 2010 | 2009 |
| Land and construction in progress | \$ 2,542 | 2,606 |
| Buildings and improvements | 20,426 | 20,098 |
| Equipment and vehicles | 7,783 | 8,070 |
| Infrastructure | 41,391 | 39,986 |
| Total | \$ 72,142 | 70,760 |

This year's major additions included (in thousands):

| | |
|---------------------------------------------------------------------|----------|
| Secondary road equipment | \$ 406 |
| Sheriff's patrol cars | 114 |
| Buildings | 391 |
| Capital assets contributed by the Iowa Department of Transportation | 1,328 |
| Total | \$ 2,239 |

The County had depreciation expense of \$2,048,225 in fiscal year 2010 and total accumulated depreciation of \$30,602,371 at June 30, 2010. More detailed information about the County's capital assets is presented in Note 10 to the financial statements.

Long-Term Debt

At June 30, 2010, Marshall County had approximately \$3,429,000 in general obligation bonds and other debt outstanding compared to approximately \$3,090,000 at June 30, 2009, as shown below.

| Outstanding Debt of Governmental Activities at Year-End | | |
|---------------------------------------------------------|--------------|--------------|
| | June 30, | |
| | 2010 | 2009 |
| General obligation bonds | \$ 2,855,000 | \$ 2,500,000 |
| Capital lease purchase agreements | 86,882 | 87,973 |
| Compensated absences | 487,029 | 482,200 |
| Deferred real estate contract | - | 19,481 |
| Total | \$ 3,428,911 | \$ 3,089,654 |

The county entered into capital lease purchase agreements to lease equipment for the sheriff's office with an historical cost of \$269,191 and issued \$750,000 of general obligation bonds in year 2010.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Marshall County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$111 million.

There is no bond rating requested for the county at this time. Additional information about the County's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Marshall County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. The unemployment rate in the County was 7.3% versus 6.6% in June of 2009 and 4.6% in June of 2008. This compares with the State's June, 2010 unemployment rate of 6.7% and the national rate of 9.5%. The Midwest CPI-U from June, 2009 to June, 2010 was 1.7% compared with a national rate of 1.1%.

These indicators were taken into account when adopting the budget for fiscal year 2011. Proposed spending for fiscal year 2011 increased 4.7% from the re-estimated 2010 budget with a \$1 million increase for capital projects; however, without the capital projects expenditure increase, the fiscal year 2011 budget would have increased less than 1% over the re-estimated 2010 budget. Property tax dollars to be generated in 2011 will represent a 3.9% increase from property taxes levied in 2010. Total revenues from all sources, which include property taxes, are expected to increase by 2.5%, or slightly over \$600,000.

If these estimates are realized, the County's operating fund balance is expected to decrease approximately \$1.6 million or to a ratio of 18.1% of budgeted expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marshall County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marshall County Auditor's Office, 1 East Main Street, Marshalltown, Iowa 50158.

Marshall County
Statement of Net Assets
June 30, 2010

Exhibit A

| | <u>Governmental Activities</u> |
|--------------------------------------------------|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 10,616,135 |
| Receivables: | |
| Property tax: | |
| Delinquent | 7,092 |
| Succeeding year | 12,142,391 |
| Interest and penalty on property tax | 4,644 |
| Accounts | 78,712 |
| Accrued interest | 8,475 |
| Due from other governments | 1,063,324 |
| Inventories | 585,260 |
| Prepaid expenses | 95,363 |
| Capital assets (net of accumulated depreciation) | 41,540,153 |
| Total assets | <u>66,141,549</u> |
| Liabilities | |
| Accounts payable | 894,547 |
| Accrued interest payable | 13,266 |
| Salaries and benefits payable | 75,034 |
| Due to other governments | 770,690 |
| Deferred revenue: | |
| Succeeding year property tax | 12,142,391 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Capital lease purchase agreements | 57,366 |
| General obligation bonds | 420,000 |
| Compensated absences | 487,029 |
| Portion due or payable after one year: | |
| Capital lease purchase agreements | 29,516 |
| General obligation bonds | 2,435,000 |
| Net OPEB liability | 116,617 |
| Total liabilities | <u>17,441,456</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 38,598,271 |
| Restricted for: | |
| Supplemental levy purposes | 1,397,190 |
| Mental health purposes | 1,248,936 |
| Secondary roads purposes | 2,073,608 |
| Debt service | 27,644 |
| Capital projects | 661,283 |
| Other purposes | 1,786,174 |
| Unrestricted | 2,906,987 |
| Total net assets | <u>\$ 48,700,093</u> |

Marshall County
Statement of Activities
Year Ended June 30, 2010

| | | Program Revenues | | |
|-------------------------------------|---------------|------------------|-----------------------------------------------|-----------------------------------------------|
| | | Charges | Operating | Capital |
| | Expenses | for Service | Grants, Contributions and Restricted Interest | Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety and legal services | \$ 6,498,463 | 1,506,834 | 373,590 | - |
| Physical health and social services | 1,039,498 | 48,796 | 614,495 | - |
| Mental health | 3,573,759 | 13,732 | 1,419,243 | - |
| County environment and education | 987,483 | 52,380 | 178,293 | - |
| Roads and transportation | 6,536,335 | 78,417 | 3,404,240 | 1,582,551 |
| Governmental services to residents | 882,405 | 525,351 | 3,064 | - |
| Administration | 2,884,784 | 19,952 | - | - |
| Non-program | 58,651 | 537,357 | - | - |
| Interest on long-term debt | 187,153 | - | - | - |
| Total | \$ 22,648,531 | 2,782,819 | 5,992,925 | 1,582,551 |

General Revenues:

Property and other county tax levied for:

General purposes

Tax increment financing

Debt service

Interest and penalty on property tax

State tax credits

Local option sales tax

Unrestricted investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

| <hr/> Net (Expense) Revenue Changes in Net Assets <hr/> |
|---------------------------------------------------------------------|
| (4,618,039) |
| (376,207) |
| (2,140,784) |
| (756,810) |
| (1,471,127) |
| (353,990) |
| (2,864,832) |
| 478,706 |
| (187,153) |
| <hr/> (12,290,236) <hr/> |
| 10,775,543 |
| 351,160 |
| 563,537 |
| 119,784 |
| 475,360 |
| 1,406,106 |
| 150,503 |
| 8,771 |
| <hr/> 13,850,764 <hr/> |
| 1,560,528 |
| <hr/> 47,139,565 <hr/> |
| <hr/> \$ 48,700,093 <hr/> |

Marshall County
Balance Sheet
Governmental Funds
June 30, 2010

| | General | Special Revenue | | |
|--------------------------------------------|----------------------|------------------|------------------|------------------|
| | | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 3,306,428 | 1,758,901 | 1,181,105 | 1,352,202 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 5,057 | 1,385 | 184 | - |
| Succeeding year | 7,886,742 | 2,097,109 | 1,545,753 | - |
| Interest and penalty on property tax | 4,644 | - | - | - |
| Accounts | 25,101 | 264 | 200 | 6,473 |
| Accrued interest | 6,415 | - | - | - |
| Due from other funds | - | - | - | 13,274 |
| Due from other governments | 367,146 | 503 | 509,357 | 181,791 |
| Inventories | - | - | - | 585,260 |
| Prepaid expenses | 87,643 | - | - | 7,720 |
| Total assets | \$ 11,689,176 | 3,858,162 | 3,236,599 | 2,146,720 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 317,720 | 79,506 | 992 | 188,100 |
| Salaries and benefits payable | 41,848 | 7,136 | 4,646 | 21,404 |
| Due to other funds | 13,274 | - | - | - |
| Due to other governments | 31,383 | 739,045 | - | 262 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 7,886,742 | 2,097,109 | 1,545,753 | - |
| Other | 1,425 | 109 | 72 | - |
| Total liabilities | 8,292,392 | 2,922,905 | 1,551,463 | 209,766 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Supplemental levy purposes | 1,397,190 | - | - | - |
| Debt service | - | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 1,999,594 | - | - | - |
| Special revenue funds | - | 935,257 | 1,685,136 | 1,936,954 |
| Capital projects fund | - | - | - | - |
| Total fund balances | 3,396,784 | 935,257 | 1,685,136 | 1,936,954 |
| Total liabilities and fund balances | \$ 11,689,176 | 3,858,162 | 3,236,599 | 2,146,720 |

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|-----------------|---------------------|--------------------------------|------------|
| 36,980 | 746,335 | 1,190,688 | 9,572,639 |
| 466 | - | - | 7,092 |
| 612,787 | - | - | 12,142,391 |
| - | - | - | 4,644 |
| - | - | 1,043 | 33,081 |
| - | - | 2,060 | 8,475 |
| - | - | - | 13,274 |
| - | - | 4,527 | 1,063,324 |
| - | - | - | 585,260 |
| - | - | - | 95,363 |
| 650,233 | 746,335 | 1,198,318 | 23,525,543 |
| - | 85,052 | 12,077 | 683,447 |
| - | - | - | 75,034 |
| - | - | - | 13,274 |
| - | - | - | 770,690 |
| 612,787 | - | - | 12,142,391 |
| 125 | - | - | 1,731 |
| 612,912 | 85,052 | 12,077 | 13,686,567 |
| - | - | - | 1,397,190 |
| 37,321 | - | - | 37,321 |
| - | - | - | 1,999,594 |
| - | - | 1,186,241 | 5,743,588 |
| - | 661,283 | - | 661,283 |
| 37,321 | 661,283 | 1,186,241 | 9,838,976 |
| 650,233 | 746,335 | 1,198,318 | 23,525,543 |

Marshall County
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
June 30, 2010

Exhibit D

Total governmental fund balances (page 15) \$ 9,838,976

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$72,142,524 and the accumulated depreciation is \$30,602,371. 41,540,153

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 1,731

The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 878,027

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (3,558,794)

Net assets of governmental activities (page 11) \$ 48,700,093

Marshall County
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

| | | Special Revenue | | |
|-----------------------------------------------------------|--------------|-----------------|----------------|-----------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 7,365,343 | 2,016,647 | 1,395,481 | - |
| Local option sales tax | - | - | 1,406,106 | - |
| Interest and penalty on property tax | 120,109 | - | - | - |
| Intergovernmental | 2,475,280 | 1,502,000 | 132,286 | 3,649,083 |
| Licenses and permits | 586 | - | 49,362 | 4,960 |
| Charges for service | 729,198 | 10,112 | - | 19,210 |
| Use of money and property | 273,009 | - | - | 1,639 |
| Miscellaneous | 218,591 | 3,620 | 823 | 54,247 |
| Total revenues | 11,182,116 | 3,532,379 | 2,984,058 | 3,729,139 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 5,701,031 | - | 501,290 | - |
| Physical health and social services | 1,010,838 | - | 26,716 | - |
| Mental health | - | 3,565,959 | - | - |
| County environment and education | 436,712 | - | 159,389 | - |
| Roads and transportation | - | - | 85,136 | 5,250,596 |
| Governmental services to residents | 835,702 | - | - | - |
| Administration | 2,691,634 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | 74,641 | - | - | 69,090 |
| Total expenditures | 10,750,558 | 3,565,959 | 772,531 | 5,319,686 |
| Excess (deficiency) of revenues over (under) expenditures | 431,558 | (33,580) | 2,211,527 | (1,590,547) |
| Other financing sources (uses): | | | | |
| General obligation bond proceeds | - | - | - | - |
| Sale of capital assets | 11,350 | - | - | 49,600 |
| Operating transfers in | 30,047 | - | - | 1,672,815 |
| Operating transfers out | (45,125) | - | (1,672,815) | - |
| Capital lease purchase agreement | 88,649 | - | - | - |
| Total other financing sources (uses) | 84,921 | - | (1,672,815) | 1,722,415 |
| Net change in fund balances | 516,479 | (33,580) | 538,712 | 131,868 |
| Fund balances beginning of year | 2,880,305 | 968,837 | 1,146,424 | 1,805,086 |
| Fund balances end of year | \$ 3,396,784 | 935,257 | 1,685,136 | 1,936,954 |

| Debt Service | Capital Projects | Nonmajor Special Revenue | Total |
|-----------------|---------------------|--------------------------------|-------------|
| 563,598 | - | 351,160 | 11,692,229 |
| - | - | - | 1,406,106 |
| - | - | - | 120,109 |
| 22,337 | - | 27,711 | 7,808,697 |
| - | - | - | 54,908 |
| - | - | 6,360 | 764,880 |
| - | 495 | 15,127 | 290,270 |
| - | 7,290 | 105,898 | 390,469 |
| 585,935 | 7,785 | 506,256 | 22,527,668 |
| - | - | 101,509 | 6,303,830 |
| - | - | - | 1,037,554 |
| - | - | - | 3,565,959 |
| - | - | 284,913 | 881,014 |
| - | - | - | 5,335,732 |
| - | - | - | 835,702 |
| - | - | 4,636 | 2,696,270 |
| 581,984 | - | - | 581,984 |
| - | 174,090 | 28,065 | 345,886 |
| 581,984 | 174,090 | 419,123 | 21,583,931 |
| 3,951 | (166,305) | 87,133 | 943,737 |
| - | 750,000 | - | 750,000 |
| - | - | - | 60,950 |
| 1,173 | 44,470 | 69,134 | 1,817,639 |
| - | (1,173) | (98,526) | (1,817,639) |
| - | - | - | 88,649 |
| 1,173 | 793,297 | (29,392) | 899,599 |
| 5,124 | 626,992 | 57,741 | 1,843,336 |
| 32,197 | 34,291 | 1,128,500 | 7,995,640 |
| 37,321 | 661,283 | 1,186,241 | 9,838,976 |

Marshall County
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances -
 Governmental Funds to the Statement of Activities
 Year Ended June 30, 2010

Net change in fund balances - Total governmental funds (page 18) \$ 1,843,336

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

| | | |
|---------------------------------------------------------------------|--------------------|--------|
| Expenditures for capital assets | \$ 776,306 | |
| Capital assets contributed by the Iowa Department of Transportation | 1,328,284 | |
| Depreciation expense | <u>(2,048,225)</u> | 56,365 |

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (21,938)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

| | |
|--------------|---------|
| Property tax | (2,314) |
|--------------|---------|

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

| | | |
|--------|----------------|-----------|
| Issued | (838,649) | |
| Repaid | <u>504,221</u> | (334,428) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|------------|----------|
| Compensated absences | (4,829) | |
| Other postemployment benefits | (58,651) | |
| Interest on long-term debt | <u>235</u> | (63,245) |

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health and dental insurance benefit plans to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

82,752

Change in net assets of governmental activities (page 13) \$ 1,560,528

Marshall County
Statement of Net Assets
Proprietary Fund
June 30, 2010

| | |
|---------------------------|----------------------------------------------------------------|
| | <u>Internal Service- Employee Group Health</u> |
| Assets | |
| Cash and cash equivalents | \$ 1,043,496 |
| Accounts receivable | <u>45,631</u> |
| Total assets | <u>1,089,127</u> |
| Liabilities | |
| Accounts payable | <u>211,100</u> |
| Net Assets | |
| Unrestricted | <u><u>\$ 878,027</u></u> |

Marshall County
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2010

| | | <u>Internal Service- Employee Group Health</u> |
|------------------------------------------|----------------|----------------------------------------------------------------|
| Operating revenues: | | |
| Reimbursements from operating funds | \$ 1,343,109 | |
| Reimbursements from employees and others | 148,106 | |
| Insurance reimbursements | <u>454,179</u> | |
| Total operating revenues | | 1,945,394 |
| Operating expenses: | | |
| Medical claims | \$ 1,595,691 | |
| Insurance premiums | 255,867 | |
| Administrative fees | <u>14,661</u> | <u>1,866,219</u> |
| Operating income | | 79,175 |
| Non-operating revenues: | | |
| Interest income | | <u>3,577</u> |
| Net income | | 82,752 |
| Net assets beginning of year | | <u>795,275</u> |
| Net assets end of year | | <u><u>\$ 878,027</u></u> |

Marshall County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2010

| | Internal Service- Employee Group Health |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 1,343,109 |
| Cash received from employees and others | 746,044 |
| Cash paid to suppliers for services | (1,843,719) |
| Net cash provided by operating activities | <u>245,434</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>3,577</u> |
| Net increase in cash and cash equivalents | 249,011 |
| Cash and cash equivalents beginning of year | <u>794,485</u> |
| Cash and cash equivalents end of year | <u><u>\$ 1,043,496</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 79,175 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Decrease in accounts receivable | 143,759 |
| Increase in accounts payable | <u>22,500</u> |
| Net cash provided by operating activities | <u><u>\$ 245,434</u></u> |

Marshall County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

Assets

Cash and pooled investments:

| | |
|------------------|--------------|
| County Treasurer | \$ 4,878,494 |
|------------------|--------------|

| | |
|------------------------|--------|
| Other County officials | 90,738 |
|------------------------|--------|

Receivables:

Property tax:

| | |
|------------|--------|
| Delinquent | 37,786 |
|------------|--------|

| | |
|-----------------|------------|
| Succeeding year | 37,401,736 |
|-----------------|------------|

| | |
|----------|--------|
| Accounts | 50,326 |
|----------|--------|

| | |
|------------------|--------|
| Accrued interest | 16,237 |
|------------------|--------|

| | |
|-------------|---------|
| Assessments | 187,458 |
|-------------|---------|

| | |
|---------------------|-------------------|
| Total assets | <u>42,662,775</u> |
|---------------------|-------------------|

Liabilities

| | |
|------------------|--------|
| Accounts payable | 49,818 |
|------------------|--------|

| | |
|-------------------------------|-----|
| Salaries and benefits payable | 608 |
|-------------------------------|-----|

| | |
|--------------------------|------------|
| Due to other governments | 42,448,619 |
|--------------------------|------------|

| | |
|----------------|---------|
| Trusts payable | 118,165 |
|----------------|---------|

| | |
|----------------------|--------|
| Compensated absences | 45,565 |
|----------------------|--------|

| | |
|--------------------------|-------------------|
| Total liabilities | <u>42,662,775</u> |
|--------------------------|-------------------|

Net assets

| | |
|--|-------------|
| | <u>\$ -</u> |
|--|-------------|

Marshall County

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Marshall County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Marshall County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Marshall County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Marshall County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Marshall County Auditor's office.

One drainage district, a joint district between Marshall and Story Counties, is managed and supervised by elected trustees. This district is included as an Agency Fund of the County.

Marshall County
Notes to Financial Statements
June 30, 2010

(1) **Summary of Significant Accounting Policies (continued)**

A. Reporting Entity (continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marshall County Assessor's Conference Board, Marshall County E911 Service Board and Marshall County Emergency Management Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County has been designated as trustee of the Marshall County Solid Waste Management Commission's Irrevocable Trust Fund. The purpose of this fund is to demonstrate financial assurance for closure, post-closures and corrective action as required by law. The County's responsibility for this fund is limited to a fiduciary relationship and as such, the activity has been reported in an Agency Fund of the County.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Marshall County Public Safety Communications Center, Solid Waste Management Commission of Marshall County, Region Six Planning Commission, Central Iowa Juvenile Detention Center and Mid-Iowa Drug Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Marshall County
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Marshall County
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Marshall County
Notes to Financial Statements
June 30, 2010

(1) **Summary of Significant Accounting Policies (continued)**

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The county maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year.

Marshall County

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------------|----------|
| Infrastructure | \$50,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

Marshall County
Notes to Financial Statements
June 30, 2010

(1) **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------|--------------------------------------|
| Buildings | 30 – 50 |
| Building improvements | 20 – 50 |
| Infrastructure | 15 – 65 |
| Equipment | 5 – 25 |
| Vehicles | 7 – 10 |

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Marshall County
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-Term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements in a department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Marshall County
Notes to Financial Statements
June 30, 2010

(2) Cash and Pooled Investments (continued)

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-------------------------------------|--------------|------------------|
| Special Revenue: Secondary Roads | General | <u>\$ 13,274</u> |

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| Transfer to | Transfer from | Amount |
|---------------------------------------------|------------------------------------------------------------|---------------------|
| Capital Projects | General | \$ 44,470 |
| Debt Service | Capital Projects | 1,173 |
| General | Special Revenue: Resource Enhancement and Protection | 30,047 |
| | Attorney's Collections | 655 |
| Special Revenue: Secondary Roads | Special Revenue: Rural Services | 1,672,815 |
| Special Revenue: Moderate Income Housing | Special Revenue: Urban Renewal Revenue | <u>68,479</u> |
| | | <u>\$ 1,817,639</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Marshall County
Notes to Financial Statements
June 30, 2010

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

| | General Obligation Bonds | Deferred Real Estate Contract | Capital Lease Purchase Agreements | Compensated Absences | Net OPEB Liability | Total |
|---------------------------|--------------------------------|----------------------------------------|--------------------------------------------|-------------------------|--------------------------|-----------|
| Balance beginning of year | \$ 2,500,000 | 19,481 | 87,973 | 482,200 | 57,966 | 3,147,620 |
| Increases | 750,000 | - | 88,649 | 18,613 | 58,651 | 915,913 |
| Decreases | 395,000 | 19,481 | 89,740 | 13,784 | - | 518,005 |
| Balance end of year | \$ 2,855,000 | - | 86,882 | 487,029 | 116,617 | 3,545,528 |
| Due within one year | \$ 420,000 | - | 57,366 | 487,029 | - | 964,395 |

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease equipment for the sheriff's office with historical costs of \$269,191. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.9% to 9.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

| Year ending June 30, | Sheriff's Equipment |
|---------------------------------------------|------------------------|
| 2011 | \$ 62,543 |
| 2012 | 31,285 |
| Total minimum lease payments | 93,828 |
| Less amount representing interest | (6,946) |
| Present value of net minimum lease payments | \$ 86,882 |

Payments under capital lease purchase agreements totaled \$95,242 for the year ended June 30, 2010.

Industrial Development Revenue Bonds

The County has issued a total of \$6,790,000 in industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$6,095,000 is outstanding at June 30, 2010. The bonds and related interest are payable solely from the rents payable by the tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

Marshall County

Notes to Financial Statements

June 30, 2010

(5) Long-Term Liabilities (continued)

Deferred Real Estate Contract

During the year ended June 30, 2002, the County entered into a deferred payment contract totaling \$180,000 to purchase real estate for the Secondary Roads department. The County agreed to pay the seller \$20,000 on the date of possession and ninety-six monthly installments, including interest, beginning May 1, 2002. The interest rate is variable during the term of the contract. The initial rate is 4½% per annum for the first twelve months. Effective April 1, 2003, the interest rate will be determined by the current rate on two year U.S. Treasury Notes, plus 1%. The interest rate will never be less than 4½% nor more than 7% annum. For the year ended June 30, 2010, the interest rate was at 4½%. Payments under the deferred real estate contract for the year ended June 30, 2010 totaled \$19,885 which paid the remainder of the contract balance.

Bonds Payable

A summary of the County's June 30, 2010 general obligation bonded indebtedness is as follows:

| Year ending June 30, | Interest Rates | | Principal | Interest | Total |
|----------------------------|-------------------|----|---------------------|----------------|------------------|
| 2011 | 2.00-3.35 % | \$ | 420,000 | 97,052 | 517,052 |
| 2012 | 2.00-3.45 | | 425,000 | 85,547 | 510,547 |
| 2013 | 3.00-3.55 | | 430,000 | 73,567 | 503,567 |
| 2014 | 3.00-3.65 | | 450,000 | 59,319 | 509,319 |
| 2015 | 3.75 | | 265,000 | 44,129 | 309,129 |
| 2016-2018 | 3.85-4.05 | | 865,000 | 69,944 | 934,944 |
| | | | <u>\$ 2,855,000</u> | <u>429,558</u> | <u>3,284,558</u> |

During the year ended June 30, 2010, the County issued \$750,000 of general obligation bonds and retired \$395,000 of bonds.

(6) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health and dental insurance benefit plans. The plans are funded by both employee and County contributions and are administered through a service agreement with Select Benefit Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Marshall County
Notes to Financial Statements
June 30, 2010

(6) Marshall County Employee Health Insurance Plan (continued)

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Select Benefits Administrators from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2010 was \$1,346,203.

Amounts payable from the Employee Group Health Insurance Fund at June 30, 2010 total \$211,100, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$878,027 at June 30, 2010 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No.10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

| | |
|-------------------------------------------------------------------------------|-------------------|
| Unpaid claims beginning of year | \$ 188,600 |
| Incurred claims (including claims incurred but not reported at June 30, 2010) | 1,595,691 |
| Payments on claims during the fiscal year | <u>1,573,191</u> |
| Unpaid claims end of year | <u>\$ 211,100</u> |

(7) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$523,502, \$481,538 and \$427,725, respectively, equal to the required contributions for each year.

Marshall County

Notes to Financial Statements

June 30, 2010

(8) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 153 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage, which is a partially self-funded medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

| | |
|--------------------------------------------|-------------------|
| Annual required contribution | \$ 68,734 |
| Interest on net OPEB obligation | 1,449 |
| Adjustment to annual required contribution | - |
| Annual OPEB cost | <u>67,285</u> |
| Contributions made | <u>(8,634)</u> |
| Increase in net OPEB obligation | 58,651 |
| Net OPEB obligation beginning of year | <u>57,966</u> |
| Net OPEB obligation end of year | \$ <u>116,617</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, plan members eligible for benefits contributed \$8,634, or 100% of the premium costs.

Marshall County

Notes to Financial Statements

June 30, 2010

(8) Other Postemployment Benefits (OPEB) (continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|---------------------|--------------------------------------------------|---------------------------|
| June 30, 2010 | \$ 67,285 | 12.8% | \$ 116,617 |

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$764,414, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$764,414. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,006,508 and the ratio of the UAAL to covered payroll was 10.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. This allocation is performed for the group as a whole, not as a sum of individual allocations. The frozen actuarial accrued liability is determined using the entry age actuarial cost method. The portion of this actuarial present value allocated to a valuation year is called the normal cost. Under this method actuarial gains/(losses) as they occur reduce/(increase) future normal costs. The actuarial assumptions include a projected annual medical trend rate of 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Marshall County
Notes to Financial Statements
June 30, 2010

(8) Other Postemployment Benefits (OPEB) (continued)

Projected claim costs of the medical plan or \$409.86 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

| Fund | Description | Amount |
|-------------------------------|-------------|----------------------|
| General | Services | \$ 31,383 |
| Special Revenue: | | |
| Secondary Roads | Services | 262 |
| Mental Health | Services | 739,045 |
| | | <u>739,307</u> |
| Total for governmental funds | | <u>\$ 770,690</u> |
| Agency: | | |
| County Assessor | Collections | \$ 585,676 |
| Schools | | 22,910,170 |
| Community Colleges | | 2,867,010 |
| Corporations | | 11,355,489 |
| Auto License and Use Tax | | 748,387 |
| Solid Waste Irrevocable Trust | | 2,930,581 |
| All other | | <u>1,051,306</u> |
| Total for agency funds | | <u>\$ 42,448,619</u> |

Marshall County
Notes to Financial Statements
June 30, 2010

(10) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---------------------------------------------|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,606,469 | - | 64,468 | 2,542,001 |
| Total capital assets not being depreciated | 2,606,469 | - | 64,468 | 2,542,001 |
| Capital assets being depreciated: | | | | |
| Buildings | 20,097,930 | 328,442 | - | 20,426,372 |
| Equipment and vehicles | 8,070,387 | 492,745 | 780,065 | 7,783,067 |
| Infrastructure, road network | 39,985,781 | 1,405,303 | - | 41,391,084 |
| Total capital assets being depreciated | 68,154,098 | 2,226,490 | 780,065 | 69,600,523 |
| Less accumulated depreciation for: | | | | |
| Buildings | 8,667,739 | 391,613 | - | 9,059,352 |
| Equipment and vehicles | 4,225,498 | 480,151 | 700,695 | 4,004,954 |
| Infrastructure, road network | 16,361,604 | 1,176,461 | - | 17,538,065 |
| Total accumulated depreciation | 29,254,841 | 2,048,225 | 700,695 | 30,602,371 |
| Total capital assets being depreciated, net | 38,899,257 | 178,265 | 79,370 | 38,998,152 |
| Governmental activities capital assets, net | \$ 41,505,726 | 178,265 | 143,838 | 41,540,153 |

Depreciation expense was charged to the following functions:

| | |
|------------------------------------------------------|--------------|
| Governmental activities: | |
| Public safety and legal services | \$ 291,003 |
| Physical health and social services | 1 |
| County environment and education | 92,042 |
| Roads and transportation | 1,502,025 |
| Governmental services to residents | 20,865 |
| Administration | 142,289 |
| Total depreciation expense - governmental activities | \$ 2,048,225 |

Marshall County

Notes to Financial Statements

June 30, 2010

(11) Operating Leases

During the year ended June 30, 2002, the County entered into an agreement with the Marshall Town Center to lease space for the County Treasurer Motor Vehicle Department. The lease has been classified as an operating lease and, accordingly, all rents are charged to expenditures as incurred. The lease expires June 30, 2011.

Pursuant to an agreement with the Marshall Town Center, the County paid \$161,760 to remodel the leased space. The County recorded these costs as prepaid expenditures that are amortized and reduce the annual cash rental payments throughout the term of the lease.

The County has also entered into several other leases for operating space used by various county departments. The leases expire at various times through June 30, 2014. The following is a schedule by year of the total annual lease costs required under the operating leases.

| Year Ending June 30 | Annual Rent Due in Cash | Annual Prepaid Expenditures Amortized | Total Annual Lease Costs |
|------------------------|----------------------------|---------------------------------------------|-----------------------------|
| 2011 | \$ 105,834 | 9,666 | 115,500 |
| 2012 | 95,748 | - | 95,748 |
| 2013 | 85,172 | - | 85,172 |
| 2014 | 4,885 | - | 4,885 |
| Thereafter | - | - | - |
| Total | \$ 291,639 | 9,666 | 301,305 |

The total annual lease costs for the year ended June 30, 2010 were \$118,120.

(12) Risk Management

Marshall County is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Date of Management Evaluation

Management has evaluated subsequent events through January 17, 2011, the date on which the financial statements were available to be issued.

Required Supplementary Information

Marshall County
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds
 Required Supplementary Information
 Year Ended June 30, 2010

| | Actual | Less Funds not Required to be Budgeted |
|--------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------------------|
| Receipts: | | |
| Property and other county tax | \$ 12,751,926 | - |
| Interest and penalty on property tax | 116,328 | - |
| Intergovernmental | 7,724,630 | - |
| Licenses and permits | 49,194 | - |
| Charges for service | 769,647 | - |
| Use of money and property | 306,086 | - |
| Miscellaneous | 353,301 | 3,216 |
| Total receipts | <u>22,071,112</u> | <u>3,216</u> |
| Disbursements: | | |
| Public safety and legal services | 6,198,783 | - |
| Physical health and social services | 936,544 | - |
| Mental health | 3,447,522 | - |
| County environment and education | 890,062 | - |
| Roads and transportation | 5,218,696 | - |
| Governmental services to residents | 817,562 | - |
| Administration | 2,698,999 | - |
| Debt service | 581,984 | - |
| Capital projects | 316,135 | - |
| Total disbursements | <u>21,106,287</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | 964,825 | 3,216 |
| Other financing sources, net | <u>818,242</u> | <u>-</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 1,783,067 | 3,216 |
| Balance beginning of year | <u>7,789,572</u> | <u>4,856</u> |
| Balance end of year | <u><u>\$ 9,572,639</u></u> | <u><u>8,072</u></u> |

| Net | Budgeted Amounts | | Final to Net Variance |
|------------|------------------|-------------|--------------------------|
| | Original | Final | |
| 12,751,926 | 12,920,225 | 12,772,440 | (20,514) |
| 116,328 | 12,000 | 12,000 | 104,328 |
| 7,724,630 | 8,876,891 | 8,216,136 | (491,506) |
| 49,194 | 38,075 | 44,175 | 5,019 |
| 769,647 | 957,925 | 946,210 | (176,563) |
| 306,086 | 497,736 | 408,633 | (102,547) |
| 350,085 | 115,550 | 205,920 | 144,165 |
| 22,067,896 | 23,418,402 | 22,605,514 | (537,618) |
| 6,198,783 | 6,514,488 | 6,624,344 | 425,561 |
| 936,544 | 977,630 | 1,253,849 | 317,305 |
| 3,447,522 | 4,110,506 | 4,110,506 | 662,984 |
| 890,062 | 1,023,169 | 974,169 | 84,107 |
| 5,218,696 | 5,992,900 | 5,681,200 | 462,504 |
| 817,562 | 890,855 | 861,430 | 43,868 |
| 2,698,999 | 2,742,234 | 2,768,987 | 69,988 |
| 581,984 | 580,503 | 584,803 | 2,819 |
| 316,135 | 1,802,775 | 1,310,275 | 994,140 |
| 21,106,287 | 24,635,060 | 24,169,563 | 3,063,276 |
| 961,609 | (1,216,658) | (1,564,049) | 2,525,658 |
| 818,242 | 4,000 | 504,000 | 314,242 |
| 1,779,851 | (1,212,658) | (1,060,049) | 2,839,900 |
| 7,784,716 | 5,839,760 | 7,649,569 | 135,147 |
| 9,564,567 | 4,627,102 | 6,589,520 | 2,975,047 |

Marshall County
 Budgetary Comparison Schedule -
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2010

| | Governmental Funds | | |
|------------------------------|---------------------|------------------------|------------------------------|
| | Cash Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 22,071,112 | 456,556 | 22,527,668 |
| Expenditures | 21,106,287 | 477,644 | 21,583,931 |
| Net | 964,825 | (21,088) | 943,737 |
| Other financing sources, net | 818,242 | 81,357 | 899,599 |
| Beginning fund balances | 7,789,572 | 206,068 | 7,995,640 |
| Ending fund balances | <u>\$ 9,572,639</u> | <u>266,337</u> | <u>9,838,976</u> |

Marshall County
Notes to Required Supplementary Information-
Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments decreased budgeted disbursements by \$465,497. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2010, disbursements in a department exceeded the amount appropriated.

Marshall County
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|----------------------------------------|---------------------------------------------------|------------------------------------|--------------------------|---------------------------|---------------------------------------------------------------|
| 2009 | July 1, 2008 | - | \$ 764,414 | \$ 764,414 | 0.0% | \$ 6,706,729 | 11.6% |
| 2010 | July 1, 2008 | - | 764,414 | 764,414 | 0.0% | 7,006,508 | 10.9% |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

Marshall County
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

| | Resource Enhancement and Protection | Sheriff's Investigative | Sheriff's DARE | Jail Commissary |
|--------------------------------------------|----------------------------------------------|----------------------------|-------------------|--------------------|
| Assets | | | | |
| Cash and pooled investments | \$ 50,852 | 2,178 | 83 | 243,904 |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Accrued interest | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | \$ 50,852 | 2,178 | 83 | 243,904 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | - | - | 4,931 |
| Fund balances: | | | | |
| Unreserved | 50,852 | 2,178 | 83 | 238,973 |
| Total liabilities and fund balances | \$ 50,852 | 2,178 | 83 | 243,904 |

| Conservation Land Acquisition Trust | Klaunenberg Trust | County Recorder's Records Management | Attorney's Forfeiture | Attorney's Collections | Drainage Certificates | Urban Renewal Revenue | Moderate Income Housing | Total |
|----------------------------------------------|----------------------|-----------------------------------------------|--------------------------|---------------------------|--------------------------|-----------------------------|-------------------------------|-----------|
| 69,404 | 473,812 | 11,563 | 7,762 | 4,172 | 8,072 | 6,626 | 312,260 | 1,190,688 |
| 50 | - | - | 993 | - | - | - | - | 1,043 |
| - | 2,060 | - | - | - | - | - | - | 2,060 |
| - | - | - | 922 | 3,605 | - | - | - | 4,527 |
| 69,454 | 475,872 | 11,563 | 9,677 | 7,777 | 8,072 | 6,626 | 312,260 | 1,198,318 |
| - | - | - | 520 | - | - | 6,626 | - | 12,077 |
| 69,454 | 475,872 | 11,563 | 9,157 | 7,777 | 8,072 | - | 312,260 | 1,186,241 |
| 69,454 | 475,872 | 11,563 | 9,677 | 7,777 | 8,072 | 6,626 | 312,260 | 1,198,318 |

Marshall County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2010

| | Resource Enhancement and Protection | Sheriff's Investigative | Sheriff's DARE | Jail Commissary | Conservation Land Acquisition Trust |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------|----------------------------|-------------------|--------------------|----------------------------------------------|
| Revenues: | | | | | |
| Property and other county tax | \$ - | - | - | - | - |
| Intergovernmental | 25,479 | - | - | - | - |
| Charges for service | - | - | - | - | - |
| Use of money and property | 358 | 2 | - | 1,764 | 435 |
| Miscellaneous | - | 59 | - | 81,417 | 8,790 |
| Total revenues | 25,837 | 61 | - | 83,181 | 9,225 |
| Expenditures: | | | | | |
| Operating: | | | | | |
| Public safety and legal services | - | - | 153 | 93,356 | - |
| County environment and education | - | - | - | - | - |
| Administration | - | - | - | - | - |
| Capital projects | - | - | - | - | 28,065 |
| Total expenditures | - | - | 153 | 93,356 | 28,065 |
| Excess (deficiency) of revenues over (under) expenditures | 25,837 | 61 | (153) | (10,175) | (18,840) |
| Other financing sources (uses): | | | | | |
| Operating transfers in (out): | | | | | |
| Operating transfers in | - | - | - | - | - |
| Operating transfers out | (30,047) | - | - | - | - |
| Total other financing sources (uses) | (30,047) | - | - | - | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | (4,210) | 61 | (153) | (10,175) | (18,840) |
| Fund balances beginning of year | 55,062 | 2,117 | 236 | 249,148 | 88,294 |
| Fund balances end of year | \$ 50,852 | 2,178 | 83 | 238,973 | 69,454 |

| Klaunenberg Trust | County Recorder's Records Management | Attorney's Forfeiture | Attorney's Collections | Drainage Certificates | Urban Renewal Revenue | Moderate Income Housing | Total |
|----------------------|-----------------------------------------------|--------------------------|---------------------------|--------------------------|-----------------------------|-------------------------------|-----------|
| - | - | - | - | - | 351,160 | - | 351,160 |
| - | - | - | - | - | 2,232 | - | 27,711 |
| - | 6,360 | - | - | - | - | - | 6,360 |
| 12,497 | 64 | 6 | 1 | - | - | - | 15,127 |
| - | - | 5,295 | 7,121 | 3,216 | - | - | 105,898 |
| 12,497 | 6,424 | 5,301 | 7,122 | 3,216 | 353,392 | - | 506,256 |
| - | - | 8,000 | - | - | - | - | 101,509 |
| - | - | - | - | - | 284,913 | - | 284,913 |
| 4,636 | - | - | - | - | - | - | 4,636 |
| - | - | - | - | - | - | - | 28,065 |
| 4,636 | - | 8,000 | - | - | 284,913 | - | 419,123 |
| 7,861 | 6,424 | (2,699) | 7,122 | 3,216 | 68,479 | - | 87,133 |
| - | - | - | 655 | - | - | 68,479 | 69,134 |
| - | - | - | - | - | (68,479) | - | (98,526) |
| - | - | - | 655 | - | (68,479) | 68,479 | (29,392) |
| 7,861 | 6,424 | (2,699) | 7,777 | 3,216 | - | 68,479 | 57,741 |
| 468,011 | 5,139 | 11,856 | - | 4,856 | - | 243,781 | 1,128,500 |
| 475,872 | 11,563 | 9,157 | 7,777 | 8,072 | - | 312,260 | 1,186,241 |

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

| | County Offices | | Agricultural | | |
|-------------------------------|------------------|---------------|----------------|----------------|-------------------|
| | County | County | Extension | County | |
| | Recorder | Sheriff | Education | Assessor | Schools |
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | \$ - | - | 2,289 | 265,084 | 342,726 |
| Other County officials | 32,155 | 58,583 | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | - | 98 | 258 | 15,792 |
| Succeeding year | - | - | 170,000 | 363,910 | 22,551,652 |
| Accounts | 502 | - | - | - | - |
| Accrued interest | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Total assets | \$ 32,657 | 58,583 | 172,387 | 629,252 | 22,910,170 |
| Liabilities | | | | | |
| Accounts payable | \$ - | - | - | - | - |
| Salaries and benefits payable | - | - | - | - | - |
| Due to other governments | 32,657 | - | 172,387 | 585,676 | 22,910,170 |
| Trusts payable | - | 58,583 | - | - | - |
| Compensated absences | - | - | - | 43,576 | - |
| Total liabilities | \$ 32,657 | 58,583 | 172,387 | 629,252 | 22,910,170 |

| Community Colleges | Corporations | Townships | Brucellosis and Tuberculosis Eradication | City Special Assessments | Auto License and Use Tax |
|-----------------------|--------------|-----------|------------------------------------------------|--------------------------------|-----------------------------------|
| 45,184 | 226,560 | 4,573 | 62 | 52,619 | 748,387 |
| - | - | - | - | - | - |
| 1,626 | 19,946 | 63 | 3 | - | - |
| 2,820,200 | 11,108,983 | 382,345 | 4,646 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 187,458 | - |
| 2,867,010 | 11,355,489 | 386,981 | 4,711 | 240,077 | 748,387 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,867,010 | 11,355,489 | 386,981 | 4,711 | 240,077 | 748,387 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,867,010 | 11,355,489 | 386,981 | 4,711 | 240,077 | 748,387 |

Marshall County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2010

| | Local Emergency Management Services | Tax Sale Redemption Non-County | Solid Waste Irrevocable Trust | School Ready Children | E911 |
|-------------------------------|----------------------------------------------|--------------------------------------|----------------------------------------|-----------------------------|---------------|
| Assets | | | | | |
| Cash and pooled investments | | | | | |
| County Treasurer | 54,465 | 133,292 | 2,914,344 | 18,343 | 5,568 |
| Other County officials | - | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | - | - | - | - |
| Succeeding year | - | - | - | - | - |
| Accounts | 8,700 | - | - | - | 41,114 |
| Accrued interest | - | - | 16,237 | - | - |
| Assessments | - | - | - | - | - |
| Total assets | 63,165 | 133,292 | 2,930,581 | 18,343 | 46,682 |
| Liabilities | | | | | |
| Accounts payable | 1,163 | - | - | 2,274 | 46,381 |
| Salaries and benefits payable | 608 | - | - | - | - |
| Due to other governments | 59,405 | 133,292 | 2,930,581 | 16,069 | 301 |
| Trusts payable | - | - | - | - | - |
| Compensated absences | 1,989 | - | - | - | - |
| Total liabilities | 63,165 | 133,292 | 2,930,581 | 18,343 | 46,682 |

| <hr/> | |
|--------|------------|
| Other | Total |
| <hr/> | |
| 64,998 | 4,878,494 |
| - | 90,738 |
| - | 37,786 |
| - | 37,401,736 |
| 10 | 50,326 |
| - | 16,237 |
| - | 187,458 |
| <hr/> | |
| 65,008 | 42,662,775 |
| <hr/> | |
| - | 49,818 |
| - | 608 |
| 5,426 | 42,448,619 |
| 59,582 | 118,165 |
| - | 45,565 |
| <hr/> | |
| 65,008 | 42,662,775 |
| <hr/> | |

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2010

| | County Offices | | Agricultural | |
|------------------------------------|--------------------|-------------------|------------------------|--------------------|
| | County Recorder | County Sheriff | Extension Education | County Assessor |
| Assets and Liabilities | | | | |
| Balances beginning of year | \$ 15,625 | 49,350 | 150,332 | 688,636 |
| Additions: | | | | |
| Property and other county tax | - | - | 164,035 | 348,112 |
| E911 surcharge | - | - | - | - |
| State tax credits | - | - | 5,825 | 15,411 |
| Interest | - | - | - | - |
| Office fees and collections | 513,383 | 153,981 | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | - | 536,552 | - | - |
| Miscellaneous | - | - | - | 933 |
| Total additions | 513,383 | 690,533 | 169,860 | 364,456 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 230,669 | 153,389 | - | - |
| To other governments | 265,682 | - | 147,805 | 423,840 |
| Trusts paid out | - | 527,911 | - | - |
| Total deductions | 496,351 | 681,300 | 147,805 | 423,840 |
| Balances end of year | \$ 32,657 | 58,583 | 172,387 | 629,252 |

| Schools | Community Colleges | Corporations | Townships | Brucellosis and Tuberculosis Eradication | City Special Assessments | Auto License and Use Tax |
|------------|-----------------------|--------------|-----------|---------------------------------------------------|--------------------------------|-----------------------------------|
| 22,174,299 | 2,950,914 | 11,168,708 | 377,438 | 4,078 | 200,964 | 713,277 |
| 21,748,947 | 2,713,617 | 12,239,926 | 364,474 | 4,484 | - | - |
| - | - | - | - | - | - | - |
| 846,289 | 112,830 | 387,778 | 17,235 | 157 | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 8,613,532 |
| - | - | - | - | - | 126,138 | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 22,595,236 | 2,826,447 | 12,627,704 | 381,709 | 4,641 | 126,138 | 8,613,532 |
| - | - | - | - | - | - | 264,214 |
| 21,859,365 | 2,910,351 | 12,440,923 | 372,166 | 4,008 | 87,025 | 8,314,208 |
| - | - | - | - | - | - | - |
| 21,859,365 | 2,910,351 | 12,440,923 | 372,166 | 4,008 | 87,025 | 8,578,422 |
| 22,910,170 | 2,867,010 | 11,355,489 | 386,981 | 4,711 | 240,077 | 748,387 |

Marshall County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2010

| Assets and Liabilities | Local Emergency Management Services | Tax Sale Redemption Non-County | Solid Waste Irrevocable Trust | School Ready Children |
|------------------------------------|----------------------------------------------|--------------------------------------|----------------------------------------|-----------------------------|
| Balances beginning of year | 35,584 | 58,263 | 2,676,383 | 78,845 |
| Additions: | | | | |
| Property and other county tax | - | - | - | - |
| E911 surcharge | - | - | - | - |
| State tax credits | - | - | - | - |
| Interest | - | - | 84,198 | 873 |
| Office fees and collections | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | - | 846,708 | - | - |
| Miscellaneous | 171,850 | - | 170,000 | 432,917 |
| Total additions | 171,850 | 846,708 | 254,198 | 433,790 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | - | - | - | - |
| To other governments | 144,269 | - | - | 494,292 |
| Trusts paid out | - | 771,679 | - | - |
| Total deductions | 144,269 | 771,679 | - | 494,292 |
| Balances end of year | 63,165 | 133,292 | 2,930,581 | 18,343 |

| E911 | Other | Total |
|---------|---------|------------|
| 48,946 | 70,263 | 41,461,905 |
| - | 12,202 | 37,595,797 |
| 189,783 | - | 189,783 |
| - | - | 1,385,525 |
| 71 | 246 | 85,388 |
| - | 18,868 | 686,232 |
| - | 684 | 8,614,216 |
| - | - | 126,138 |
| - | 36,319 | 1,419,579 |
| - | 236,014 | 1,011,714 |
| 189,854 | 304,333 | 51,114,372 |
| - | - | 648,272 |
| 192,118 | 158,286 | 47,814,338 |
| - | 151,302 | 1,450,892 |
| 192,118 | 309,588 | 49,913,502 |
| 46,682 | 65,008 | 42,662,775 |

Marshall County
Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds
For the Last Ten Years

| | 2010 | 2009 | 2008 | 2007 |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Property and other county tax | \$ 11,692,229 | 11,055,070 | 10,472,684 | 9,001,670 |
| Local option sales tax | 1,406,106 | 1,118,897 | 1,086,528 | 1,152,504 |
| Interest and penalty on property tax | 120,109 | 120,826 | 106,923 | 94,099 |
| Intergovernmental | 7,808,697 | 7,411,323 | 9,179,285 | 8,308,773 |
| Licenses and permits | 54,908 | 43,873 | 54,848 | 40,403 |
| Charges for service | 764,880 | 752,121 | 734,071 | 766,129 |
| Use of money and property | 290,270 | 378,597 | 521,697 | 531,424 |
| Miscellaneous | 390,469 | 308,071 | 321,900 | 317,997 |
| Total | <u>\$ 22,527,668</u> | <u>21,188,778</u> | <u>22,477,936</u> | <u>20,212,999</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 6,303,830 | 5,897,532 | 5,729,854 | 5,549,685 |
| Physical health and social services | 1,037,554 | 920,438 | 889,834 | 761,605 |
| Mental health | 3,565,959 | 3,795,990 | 3,759,441 | 3,401,778 |
| County environment and education | 881,014 | 880,818 | 841,792 | 794,776 |
| Roads and transportation | 5,335,732 | 5,141,859 | 5,926,324 | 5,116,544 |
| Governmental services to residents | 835,702 | 796,497 | 769,337 | 743,642 |
| Administration | 2,696,270 | 2,427,338 | 2,328,010 | 2,278,439 |
| Debt service | 581,984 | 734,733 | 683,613 | 661,272 |
| Capital projects | 345,886 | 867,654 | 647,702 | 1,238,663 |
| Total | <u>\$ 21,583,931</u> | <u>21,462,859</u> | <u>21,575,907</u> | <u>20,546,404</u> |

| Modified Accrual Basis | | | | | |
|------------------------|------------|------------|------------|------------|------------|
| 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| 8,405,905 | 7,950,897 | 7,644,123 | 7,521,013 | 7,296,733 | 8,020,704 |
| 976,259 | 1,033,688 | 978,099 | 1,031,930 | 923,660 | - |
| 85,590 | 79,971 | 77,867 | 91,559 | 93,099 | 85,535 |
| 7,820,874 | 8,077,032 | 7,791,934 | 7,448,548 | 7,311,452 | 7,676,505 |
| 46,066 | 46,971 | 30,687 | 26,068 | 22,635 | 15,531 |
| 796,291 | 758,393 | 779,753 | 798,958 | 727,343 | 637,691 |
| 455,809 | 322,399 | 271,154 | 317,436 | 453,080 | 894,739 |
| 692,254 | 335,855 | 306,337 | 405,519 | 221,255 | 227,629 |
| 19,279,048 | 18,605,206 | 17,879,954 | 17,641,031 | 17,049,257 | 17,558,334 |
| 5,657,380 | 5,818,897 | 5,677,146 | 5,497,490 | 5,036,429 | 4,746,619 |
| 850,979 | 804,436 | 849,797 | 1,076,965 | 1,097,201 | 984,585 |
| 3,128,228 | 3,077,753 | 2,858,400 | 2,981,086 | 2,881,664 | 2,962,353 |
| 804,072 | 670,706 | 609,842 | 593,010 | 441,569 | 390,973 |
| 4,714,904 | 5,310,680 | 4,814,973 | 4,398,900 | 4,290,402 | 4,292,664 |
| 990,407 | 813,864 | 733,620 | 787,284 | 753,237 | 769,682 |
| 2,197,990 | 2,133,687 | 2,120,834 | 2,201,181 | 2,125,267 | 1,976,391 |
| 653,589 | 481,297 | 319,337 | 315,337 | 316,073 | 316,472 |
| 1,532,287 | 339,840 | 427,775 | 732,727 | 795,020 | 933,215 |
| 20,529,836 | 19,451,160 | 18,411,724 | 18,583,980 | 17,736,862 | 17,372,954 |

Marshall County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

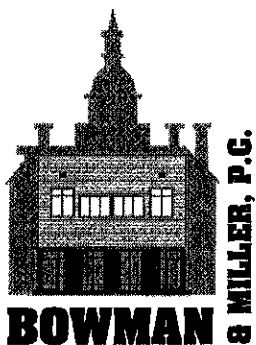
| Grantor/Program | CFDA Number | Agency or Pass- through Number | Program Expenditures |
|------------------------------------------------------------------------------------------------------------------|----------------|-----------------------------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | \$ 22,285 |
| U.S. Department of Justice: | | | |
| Iowa Department of Commerce: | | | |
| Iowa Alcoholic Beverage Commission: | | | |
| Tobacco Surveillance | 16.727 | | 700 |
| Iowa Department of Justice-Crime Victims Assistance Division: | | | |
| Crime Victim Assistance | 16.575 | VA-10 | 26,908 |
| Violence Against Women Formula Grants | 16.588 | VW-10 | 33,296 |
| Violence Against Women Formula Grants-ARRA | 16.588 | VW-10S | 1,509 |
| | | | 34,805 |
| Governor's Office of Drug Control Policy: | | | |
| Public Safety Partnership and Community Policing Grant | 16.710 | 09-HOTSPOTS-02 | 22,261 |
| Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 16.803 | 09JAG/ARRA-315 | 190,048 |
| City of Marshalltown: | | | |
| Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 16.803 | | 66,832 |
| | | | 256,880 |
| U.S. Department of Education: | | | |
| Iowa Department of Transportation: | | | |
| ARRA-State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act | 84.397 | S397A090016A | 31,724 |
| U.S. Election Assistance Commission: | | | |
| Iowa Secretary of State: | | | |
| Help America Vote Grant | 90.401 | | 3,000 |
| National Highway Traffic Safety Administration: | | | |
| Iowa Department of Public Safety: | | | |
| State and Community Highway Safety | 20.600 | PAP-10-02 Task 10 | 5,054 |
| State and Community Highway Safety | 20.600 | PAP-09-02 Task 10 | 10,517 |
| | | | 15,570 |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 11,198 |

Marshall County
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2010

Schedule 6

| Grantor/Program | CFDA Number | Agency or Pass- through Number | Program Expenditures |
|----------------------------------------------------------------------------------------|----------------|-----------------------------------|-------------------------|
| Refugee and Entrant Assistance-State Administered Programs | 93.566 | | 63 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 5,846 |
| Children's Insurance Program | 93.767 | | 133 |
| Foster Care-Title IV-E | 93.658 | | 11,883 |
| Adoption Assistance | 93.659 | | 2,974 |
| Medical Assistance Program | 93.778 | | 25,126 |
| Social Services Block Grant | 93.667 | | 11,742 |
| Social Services Block Grant | 93.667 | | 189,894 |
| | | | 201,636 |
| Iowa Department of Public Health: | | | |
| Public Health Emergency Preparedness Grant | 93.069 | 5880LP02 | 132,181 |
| Childhood Lead Poisoning Prevention Projects | 93.197 | 5889LP02 | 22,161 |
| Centers for Disease Control and Prevention- Investigations and Technical Assistance | 93.283 | 5880OB33 | 38,167 |
| Social Services Block Grant | 93.667 | 5880CO64 | 17,291 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | 5880EM218 | 10,000 |
| Iowa Department of Education: | | | |
| Temporary Assistance to Needy Families | 93.558 | | 117,162 |
| U.S. Department of Homeland Security | | | |
| Iowa Department of Public Defense: | | | |
| Homeland Security Division: | | | |
| Emergency Management Performance Grant | 97.042 | | 55,437 |
| Total | | | \$ 1,065,391 |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marshall County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Marshall County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Marshall County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marshall County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marshall County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

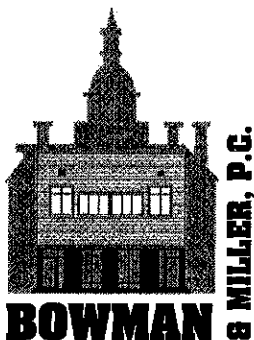
Marshall County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marshall County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marshall County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

January 17, 2011



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Marshall County:

Compliance

We have audited the compliance of Marshall County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Marshall County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marshall County's management. Our responsibility is to express an opinion on Marshall County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marshall County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marshall County's compliance with those requirements.

In our opinion, Marshall County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Marshall County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Marshall County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marshall County's internal control over compliance.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Marshall County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marshall County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marshall County and other parties to whom Marshall County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bowman and Miller, P.C.

January 17, 2011

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 93.069 – Public Health Emergency Preparedness Grant
 - CFDA Number 93.667 – Social Services Block Grant
 - CFDA Number 16.803 – Edward Byrne Memorial Formula Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marshall County did not qualify as a low-risk auditee.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-10 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Applicable
Offices

Recorder,
Sheriff

(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash.

Sheriff

Recommendation – We realize that segregation of duties is difficult with a limited number of office employees, however, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Beginning January 1, 2011 the Recorder's office has been dissolved and the duties will be shared with the County Auditor and County Treasurer. The sheriff's office will review their office policies and attempt to segregate duties where possible. Where it is not possible increased review by supervisory personnel will be performed.

Conclusion – Response accepted.

INSTANCES OF NON COMPLIANCE:

No matters were reported.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted however, disbursements in a department exceeded the amount appropriated.

Recommendation – Chapter 331.435 of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The current accounting procedures will be reviewed with regard to the timing and necessity of appropriation amendments.

Conclusion – Response accepted.

- IV-B-10 Questionable Expenditures – We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- IV-D-10 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Business Connection | Description | Amount |
|------------------------------------------------------------------------------------------|--------------------|--------|
| Angie Kelley, wife of Todd Kelley, Maintenance Supervisor | Fire Extinguishers | \$ 298 |
| Dennis Bachman, husband of Deanna Neldeberg-Bachman, Emergency Management Director | EMS Training | 2,827 |

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Angie Kelley do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Dennis Bachman may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Marshall County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Deanna Neldeberg retired from her position as Emergency Management Director on April 30, 2010 so this should not be an issue in the future.

Conclusion – Response accepted.

- IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 Deposits and Pooled Investments – No instances of non-compliance with the deposit and pooled investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

Marshall County Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, Iowa

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